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Report Highlights:

**Flooded Farmers Offered C\$450M Aid Package * Canada to Double Wheat Sales to China *
China Said to Reopen Border to Canadian Beef * Canola Crush Strong Despite Tight Margins *
China Expands Trade for British Columbia Logs**

Flooded Farmers Offered C\$450M Aid Package

Flooded farmers across the Prairies will be eligible for C\$30 an acre in financial assistance under the AgriRecovery fund announced on Thursday. The program's total cost is C\$450 million, 60 percent supplied by the federal government and 40 percent by the provinces to support areas where farmers weren't able to seed, as well as those where seeded fields were flooded. Of the \$450 million, \$360 million will go to Saskatchewan, which was hardest hit by the wet weather. The Canadian Wheat Board (CWB) estimates up to 4.8 million hectares remain unseeded across the Prairies, whereas Saskatchewan Agriculture Minister Bob Bjornrud estimates a higher figure of greater than six million hectares unseeded. Although the financial aid is welcomed news, there is concern that the process of aid flow to the farmers will be too slow, and more efforts should be placed instead on strengthening the already existing Agri-Stability, Agri-Invest and Agri-Recovery programs.

Canada to Double Wheat Sales to China

The CWB looks to more than double wheat sales to China as poor weather downgrades China's domestic crop. The sale of 500,000 tons of wheat by the end of 2011 to COFCO, China's largest government food processor, will be worth C\$130 million, Canadian Agriculture Minister Gerry Ritz said after his third trade mission to China in less than a year. China has been a sporadic importer of Canadian wheat, buying nearly 2.3 million tons in 2004-2005 but only 37,000 tons in 2008-2009. The agreement, mainly for high-quality spring wheat used in baking, partly reflects poor growing conditions for China's domestic crop, such as drought in the south and cool temperatures in the north. Canada has had its own poor growing conditions this spring, with wet weather leaving the biggest unplanted acreage in 39 years. China bought 200,000 tons of Canadian wheat, durum and wheat flour from August 2009 through April 2010.

China Said to Reopen Border to Canadian Beef

China pledges to reopen its borders to Canadian beef, seven years after Bovine Spongiform Encephalopathy (BSE) was found in an Alberta animal. Chinese President Hu Jintao signed a commitment with Prime Minister Stephen Harper in meetings before the G20 summit. Details allowing shipments are to be negotiated. After details are negotiated, initially China will open its markets to Canadian boneless beef from animals under 30 months old, as well as beef tallow for industrial use. The news of progress was welcomed by Canadian cattle producers. China's restrictions on Canadian beef exports had been an irritant in the two countries' trade relations. Once the ban is completely eliminated, the Canadian beef industry estimates sales to China and related markets could amount to C\$110 million to C\$175 million a year. BSE was first detected in an Alberta dairy cow in May 2003.

Canola Crush Strong Despite Tight Margins

Canada's canola crushers look to keep up their record production pace, even though Western Canada's rains this spring have driven up supply costs and watered down profits. Wet conditions will force farmers to leave up to one-fifth of Canada's crop-growing belt fallow this spring, sharply reducing canola crop estimates to around 10 million tons. That would be a three-year low and 15 percent less than the government projected yields in May. The Canadian dollar's strength against the U.S. currency and canola's high price increase has caused canola crushing margins to plunge 35 percent from a month ago. Crushing volumes, however, show no sign of easing, even if crushers aren't using all their capacity to produce edible oil and meal for livestock feed from canola. Canada has crushed four million tons of canola during the 2009-2010 crop year, up 11 percent from the year-earlier volume. With two new plants and one expanded facility, however, crushers have used only 81 percent of capacity, down from 92 percent a year earlier.

China Expands Trade for British Columbia Logs

The Chinese and Canadian governments have reached a trade agreement that opens new doors into China's growing wood products market for British Columbia (BC) logs. As of July 1, 2010, B.C. logs can be shipped year-round into China through two ports, Putian in the province of Fujian and Taicang near Shanghai, without being treated for pests. Access to more ports on a year-round basis is expected to boost log exports to China, particularly from B.C.'s northwest forests. Until now, China would only accept untreated B.C. logs during the winter months and all were forced through Putian, where they were fumigated in massive tarp-covered bunkers. China has become the world's largest importer of logs, consuming 28 billion cubic meters of them in 2009; so far this year, imports are up 13 percent. B.C. exports account for only a tiny fraction of that amount, 387,000 cubic meters, all low-grade wood for which there is virtually no market in North America. The opening up of the Chinese market is expected to spark new logging activity in the province's economically hard-hit northwest coast, where much of the forest consists of lower-grade hemlock.

Exchange Rate: Noon rate, July 9, 2010 (Bank of Canada): U.S. Dollar = C\$1.03.